



Department  
for Education

# **The Marches and Worcestershire Area Review**

**Final report**

**November 2016**

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## Background

In July 2015, the government announced a rolling programme of around 40 local area reviews, to be completed by March 2017, covering all general further education colleges and sixth-form colleges in England.

The reviews are designed to ensure that colleges are financially stable into the longer-term, that they are run efficiently, and are well-positioned to meet the present and future needs of individual students and the demands of employers. Students in colleges have high expectations about standards of teaching and learning and the extent to which their learning prepares them to progress further, to higher education or directly into employment.

The area is served by 4 sixth-form colleges, (Hereford Sixth Form College, New College Telford, Shrewsbury Sixth Form College, and Worcester Sixth Form College) and 7 general further education (FE) colleges (Heart of Worcestershire College, Herefordshire and Ludlow College, Kidderminster College (part of Newcastle College Group), North Shropshire College, Shrewsbury College of Arts and Technology, South Worcestershire College, and Telford College of Arts and Technology) together with a specialist provider, Hereford College of Arts.

The local steering group was chaired by Peter Mucklow, the Sixth Form College Commissioner and supported by the FE Commissioner. The steering group met on 5 occasions between January and May 2016, and additional, informal meetings also took place to consider and develop options in greater detail. Membership of the steering group comprised each college's chair of governors and principal, representatives from The Marches Local Enterprise Partnership (LEP), Worcestershire LEP and Greater Birmingham and Solihull LEP, the 4 local authorities (Shropshire, Herefordshire, Telford and Wrekin and Worcestershire), the Regional Schools Commissioner, and representatives from the former Department of Business Innovation and Skills (BIS), the Skills Funding Agency (SFA) the Education Funding Agency (EFA), and the Department for Education (DfE). Visits to colleges and support throughout the process were provided by staff from the FE and Sixth Form College Commissioners' teams. The Joint Area Review Delivery Unit (JARDU) provided the project management, administrative support and developed supporting materials and papers used by the steering group. JARDU also led on consultations with local stakeholders.

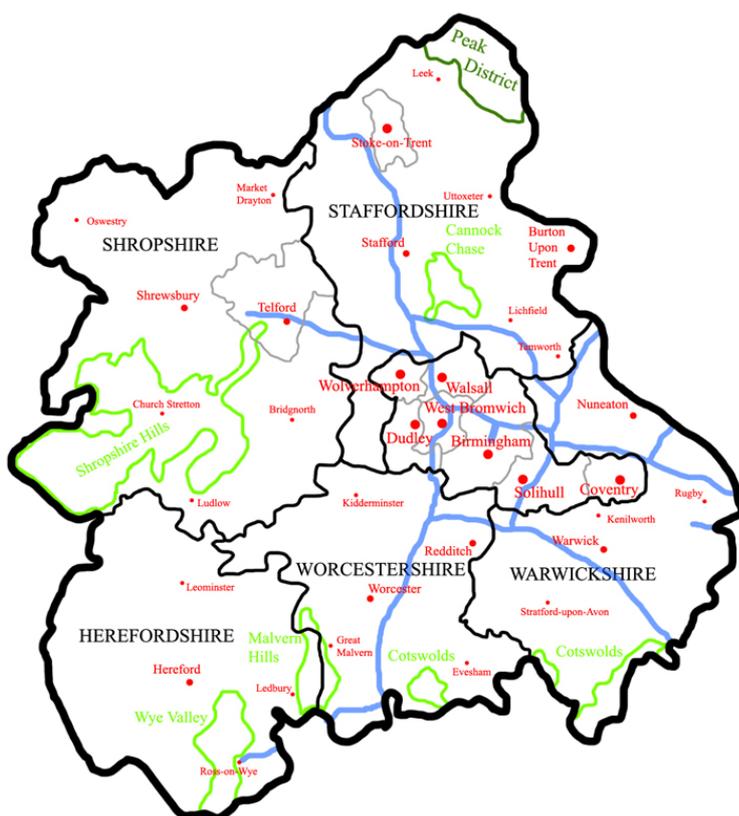
# The needs of The Marches and Worcestershire area

## Demographics and the economy

The Marches and Worcestershire area review covers the 4 local authority areas of Herefordshire, Shropshire, Telford and Wrekin and Worcestershire, with a total population of about 1.24 million<sup>1</sup>, and forming the western half of the wider West Midlands region. It includes the 2 cities of Hereford and Worcester, and a number of major towns (Shrewsbury and Telford). The area is predominantly rural. The population of Worcestershire is the largest in the review area.

There is a close relationship with the rest of the region, with significant commuting from north-east Worcestershire into the Birmingham area and from Telford and Wrekin into the Black Country. The level of commuting between the counties of Herefordshire, Shropshire and Worcestershire is low.

The area is illustrated on the map<sup>2</sup> below:



1 ONS Local Authority Profiles – see data annex: Local socio-economic data

2 [Map of the West Midlands Region](#)

The table below provides a snapshot of key demographic and economic data<sup>3</sup>, which has acted as a starting point for this review.

	<b>Herefordshire</b>	<b>Shropshire</b>	<b>Telford and Wrekin</b>	<b>Worcestershire</b>	<b>Great Britain</b>
Total population (2015)	188,100	311,400	171,200	578,600	63,258,400
Population aged 16 to 64 (2015)	59.8%	60.0%	63.2%	60.8%	63.3%
% with higher education qualifications <sup>4</sup>	33.7%	35.6%	26.4%	37.4%	37.1%
Those formally qualified to level 2+	72.6%	75.2%	72%	73.7%	73.6%
Gross weekly pay £ of residents	£459.00	£491.80	£464.40	£518.80	£529.00
Gross weekly pay £ by workplace	£421.90	£466.10	£497.50	£482.10	£529.00
Out-of-work benefit claimants	1%	1%	1.5%	1.2%	1.8%
% of main benefit claimants	9.2%	8.8%	13.9%	9.9%	11.8%

<sup>3</sup> ONS Local Authority Profiles – see data annex: Local socio-economic data. Please note that ONS update the data set on a regular basis and that the data included relates to the point at which the report was written.

<sup>4</sup> Percentages relate to those aged 16 to 64

	Herefordshire	Shropshire	Telford and Wrekin	Worcestershire	Great Britain
Jobs density <sup>5</sup>	0.88	0.79	0.86	0.77	0.82
<b>Total workplace units:</b>					<b>Average for the West Midlands</b>
Micro <sup>6</sup>	85.8%	86.2%	79.6%	84.2%	82.6%
Small	12.0%	11.7%	15.5%	12.9%	13.9%
Medium	1.9%	1.8%	4.0%	2.6%	3.0%
Large	0.2%	0.2%	0.8%	0.3%	0.5%

The key points to note are:

- the significant variations in population between the 4 local authority areas, with the population of Worcestershire more than the combined size of Shropshire and Herefordshire together. With the exception of Telford and Wrekin and Worcestershire, the population is older than average. Throughout the review, members of the steering group emphasised the relative isolation of large parts of Herefordshire and Shropshire, and the challenges of access to education and training in terms of the cost and availability of public transport
- there are sharp differences in the numbers of people aged 16 to 64 with a higher education qualification. Telford and Wrekin is currently over 10% lower than the national average, and only Worcestershire matches the national picture
- nearly three-quarters of the population aged 16 to 64 across the area are qualified with a formal level 2 qualification (equivalent to 5 GCSEs at grades A\*-C) similar to the national proportion
- levels of pay of residents (and when calculated according to workplace) are below the national average, with Herefordshire particularly low
- the predominance of smaller businesses, with few large employers.

<sup>5</sup> Job density relates to the level of jobs per resident aged 16 to 64. For example, a job density of 1.0 would mean that there is one job for every resident aged 16 to 64. The job density for the West Midlands as a whole is 0.78, which is slightly below the national average.

<sup>6</sup> Micro-businesses have a total of 1 to 9 workers; small businesses have 10 to 49 workers (2015 data).

## Patterns of employment and future growth

The review steering group received a number of presentations on the area's current employment patterns, future projections, and the sectors identified by Local Enterprise Partnerships (LEPs) as priorities for growth.

Specific studies<sup>7</sup> on local labour supply and demand, supported by the views of the local authorities and LEP, focused on the importance of considering replacement demand (for example, jobs created as a result of people leaving or retiring), as well as overall job growth, and the changing requirements and complexity of the roles available. For example, in the Marches, UK Commission for Employment and Skills (UKCES) research suggests 7 times as many jobs will become available as a result of replacement demand (122,000 openings compared with 17,000 new employment opportunities through expansion in the labour market).

There are continuing issues with 'hard to fill' vacancies, which typically relate to specific higher level technical skills, and in some cases elementary jobs.

Local trends in employment identified through to 2022 from national studies<sup>8</sup> reviewed as part of this work indicate the importance of:

- professional services: which covers higher level roles in business services, hospitals, IT, media, science and technology, which will experience continued strong growth
- administrative jobs: despite a decline, there will be significant new openings as a result of replacement demand
- caring and personal service occupations: with an increase in demand related to an ageing population and a relatively high replacement skill need because of high turnover.

## LEP priorities

In Worcestershire, the LEP has identified, by analysis of information about the local business base, the growing importance of 3 priority sectors – advanced manufacturing, cyber security IT and defence, and agri-tech (food manufacturing and processing). More people with higher level practical skills through to post-graduate level are required in these sectors. Strengthening the pipeline of young people with the mathematical, science-based and technical foundations to progress to higher education is an important role for colleges. Construction remains a strong area of employment, with significant replacement demand.

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<sup>7</sup> UKCES, Working Futures, Employer Skills Survey, Employer Perspectives Survey

<sup>8</sup> [UKES labour market projections](#)

For The Marches, the following sectors have been identified, through collection of local information, as key to developing new employment opportunities and higher level skilled jobs: advanced manufacturing and engineering; defence and cyber security; agri-tech/agri-food (food processing and manufacturing), IT and environmental technologies.

Greater Birmingham and Solihull LEP has identified the importance of the skills devolution deal for the West Midlands Combined Authority, the impact of HS2 on the regional economy and how local partners will work together to address issues of future skills supply and demand. Their priority sectors are advanced manufacturing and engineering, digital and creative, life and health sciences, low carbon and environmental technologies/services, business, professional and financial services.

## **Feedback from LEPs, employers, local authorities and students**

Feedback from LEP representatives, local authority representatives and employers consulted during the area review process drew attention to:

- increasing the number of apprenticeships. UKCES research indicates that 9% of employers in the Marches offer formal apprenticeships, which is much lower than the England-wide figure of 15%<sup>9</sup>. At the time of their survey, 26% expected to offer apprenticeships in the future, again lower than the national position of 35%. LEPs and local authorities reinforced the importance of improving this picture
- a continued focus on the importance of employability. For some employers this is about reliability and enthusiasm, an ability to work effectively with other people, communication skills, and attention to detail. It may also include the ability to work under pressure, demonstrate attention to detail, and resilience to cope positively with change. Acquisition of these skills needs to be integrated into all types and levels of education and training
- the need for colleges to demonstrate an in-depth knowledge of specific sectors and skills needs, deliver flexible approaches to training (including through e-learning), and be confident and skilled in delivering new apprenticeship models.

As part of each area review there was engagement with students coordinated by the National Union of Students (NUS). Where the NUS submitted a report on the views of students these are available on [NUS connect](#).

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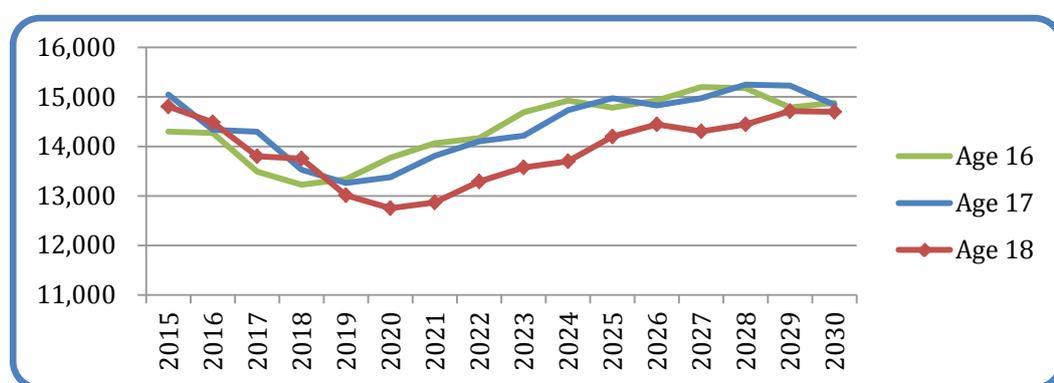
<sup>9</sup> [UK Commission for Employment and Skills](#)

## The quantity and quality of current provision

The steering group considered information provided by each local authority about population projections, focusing on the changes in the number and needs of young people aged 16+.

The number of young people in The Marches and Worcestershire area<sup>10</sup> is declining in the medium-term, with a projected low point of 39,617 in 2019. In the longer-term to 2030, it rises to over 44,000. The pattern of short-term decline but subsequent growth is illustrated in the chart below:

Population change 2015 to 2030 in 16 to 18 year olds

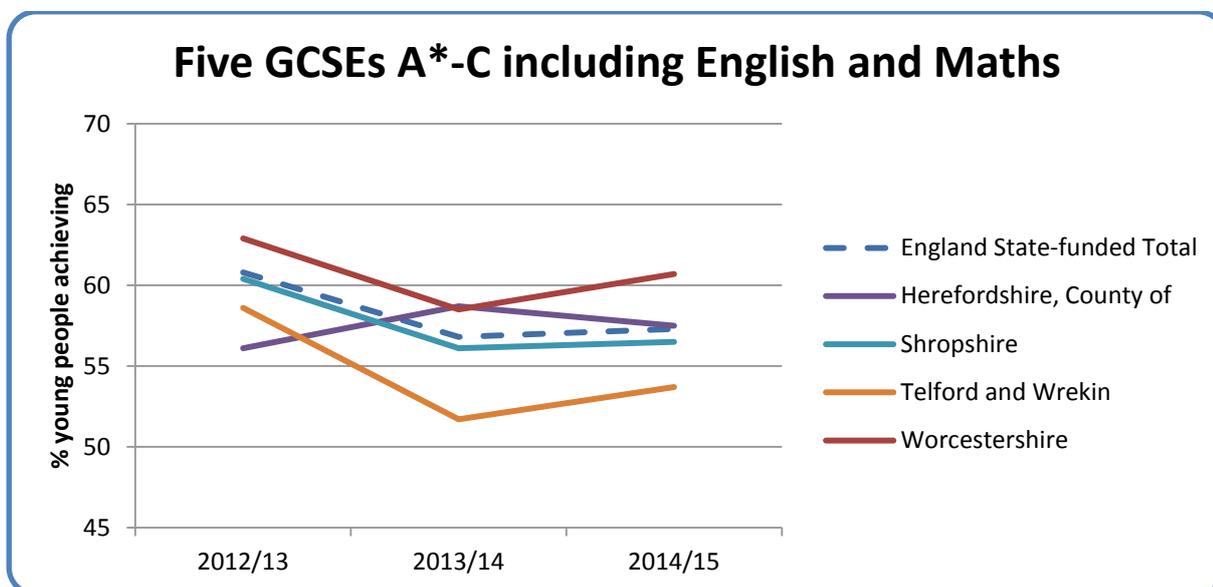


Within this pattern of demographic decline and subsequent recovery in the numbers of young people aged 16 to 19, the cohort sizes in Herefordshire and Shropshire return by 2030 to their 2016 level. In Worcestershire and Telford and Wrekin, numbers are predicted to increase. The dip in numbers of young people over the period 2017 to 2020 suggests that all post-16 providers will need to make a cautious local assessment of the potential for overall growth in provision during this period.

<sup>10</sup> ONS sub-national population projections – see data annex: Population projections

## Performance of schools at Key Stage 4

The recent trend in GCSE pass rates for 16 year old school pupils completing year 11 across the 4 local authorities is illustrated below<sup>11</sup>:



The overall performance of schools at year 11 (key stage 4) in the review area is generally close to the national average<sup>12</sup>, except in Shropshire and Telford and Wrekin where performance is lower.

These results reinforce the need for significant provision at level 2 (classroom or in the workplace) for 16 year olds, with opportunities to progress to level 3 when they have achieved the required GCSEs or their equivalent.

## Schools with sixth-forms

Area reviews of post-16 education and training institutions are predominantly focused on general further education and sixth-form colleges in order to ensure there is a high quality and financially resilient set of colleges in each area of England. Schools with sixth-forms have the opportunity to seek to opt in to a review if the local steering group agrees.

The underpinning analysis for the review included current post-16 provision in the area made by schools with sixth-forms. Regional Schools Commissioners and local authorities have had the opportunity to identify any issues with school sixth-form provision, and feed these into the review. We expect Regional Schools Commissioners to take account of the analysis from area reviews in any decisions they make about future provision.

<sup>11</sup> School Key Stage 4 results – see data annex. Local authority and total (state-funded sector) figures covering achievements in state-funded schools only.

<sup>12</sup> EFA Allocations – see data annex: 16 to 19 funding.

There are currently 44 funded schools with sixth-forms in the review area, including 8 local authority maintained and 36 academies (including 2 free schools)<sup>13</sup>. Most school pupils in the age range 16 to 18 are enrolled on A level courses.

Overall funded student numbers in mainstream school sixth-forms increased by 3% in the years 2013 to 2014 to 2015 to 2016, with a total of 7,499 young people funded in a mainstream school sixth-form setting in 2015 to 2016<sup>14</sup>. School sixth-forms in the area vary in size but, using as a guide, for illustration purposes only, the application threshold of 200 for new school sixth-forms in academies, there are 29 school sixth-forms (including local authority maintained and academies but excluding special schools) that were funded below that figure in 2015 to 2016. The majority of schools with sixth-forms were graded by Ofsted as good or better.

Schools responding to the review consultation mentioned the difficulties experienced by small sixth-forms. They commented on the limitations of the offer and expense of travel by public transport.

## The further education and sixth-form colleges

Twelve colleges (4 sixth-form colleges, 6 general further education colleges, and a further education college which specialises in art) participated in this review.

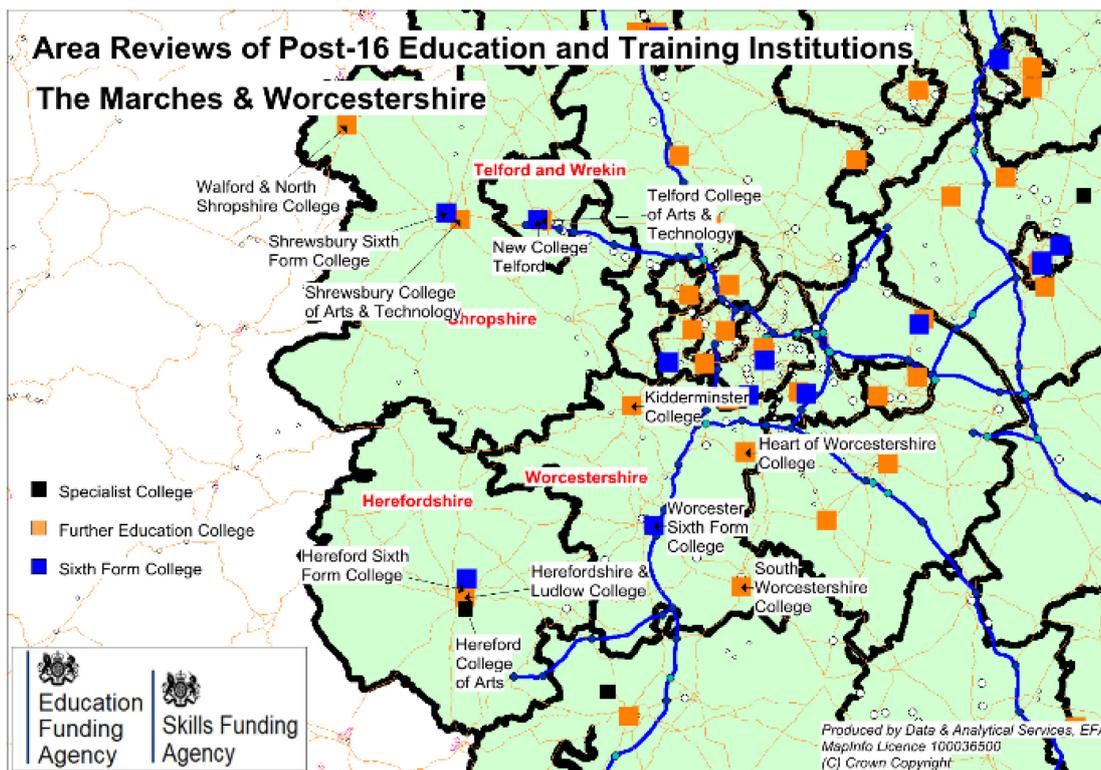
- Hereford Sixth Form College
- Hereford College of Arts
- Herefordshire and Ludlow College
- Worcester Sixth Form College
- Heart of Worcestershire College
- South Worcestershire College
- North Shropshire College
- Shrewsbury College of Arts and Technology
- Shrewsbury Sixth Form College
- Telford College of Arts and Technology
- New College Telford (sixth-form college)
- Kidderminster College (based in Worcestershire, but part of Newcastle College Group (NCG) based in Newcastle upon Tyne).

The locations of the colleges are shown below:

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<sup>13</sup> EFA Allocations – see data annex: 16 to 19 funding.

<sup>14</sup> EFA allocations – see data annex: 16-19 funding. Where part of a local authority is in the review area, that local authority has been included in the school sixth-form data.



Part of the area review process involved a visit to each college by specialist further education and sixth-form college advisers who report to the respective commissioners. The advisers met with governors, senior managers and staff, and reviewed a wide range of documents and data relating to each college’s current range and quality of provision, their track record in attracting students, and their overall financial health. Through a data sharing protocol between members of the steering group, the information from each of these visits was shared with colleges and has informed the evidence base to the steering group for this review.

## The current offer in the colleges

The 4 sixth-form colleges in Hereford, Worcester, Telford and Shrewsbury offer a wide range of A levels (often 40 plus subjects), and some offer a limited range of classroom-based technical education to students in the age range 16 to 19 (for example, in business studies, health and social care or arts-based subjects). Most courses are based on students having achieved 5 GCSEs at A\* to C or better at entry. The colleges have particularly strong relationships with the 11 to 16 schools in their respective areas, acting in many cases as a sixth form for these schools. The sixth-form college, New College Telford, offers a mix of A levels and technical education courses for 16 to 19, including hospitality.

Hereford College of Arts offers specialist further and higher education courses in art and design, media, performing arts, and popular music. Courses are designed to appeal to both school leavers aged 16 to 19 and to adults.

The 7 general FE colleges<sup>15</sup> offer a broad range of technical education provision, including foundation learning, maths and English, apprenticeships to 16 to 18 year olds and to adult students, and most have developed higher education at levels 4 and 5 in response to local demand. All these colleges offer technical courses in health and social care, construction, engineering, sport, IT, hair and beauty and business subjects.

North Shropshire College and Herefordshire and Ludlow College offer a wide range of land based courses (agriculture, horticulture and animal care). Land based courses are also offered in Worcestershire at Pershore College, a specialist centre of the Warwickshire Colleges Group. The offer at these colleges includes apprenticeships and includes agriculture and animal care and veterinary science.

Herefordshire and Ludlow College has a dedicated sixth-form centre at Ludlow, and offers a mix of A level and classroom-based technical education courses, primarily for the 16 to 19 age group.

All colleges offer provision in creative and media subjects, which may include fine art, media and communication, photography, music, drama and dance, according to local demand. Some of this provision is part-time, and aimed at fee-paying adults.

South Worcestershire College and Kidderminster College do offer a wide range of provision, but do not offer courses in hospitality and catering (an area of specialist provision which is capital intensive), and which is well provided in neighbouring colleges.

The size and locations of Heart of Worcestershire College (with sites in central Worcester, Bromsgrove and Redditch) means that they offer a very wide range of provision in all subject sectors other than land based, and much more higher education than the other colleges.

Apprenticeships, primarily at intermediate and advanced levels, are offered by all 7 colleges, with administration, engineering, construction trades, health and social care, and business well represented. Overall, the largest providers of apprenticeships are Heart of Worcestershire College, Telford College of Arts and Technology, and Herefordshire and Ludlow College. In some cases, apprenticeships are delivered through sub-contracting arrangements with other providers<sup>16</sup>.

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<sup>15</sup> Including Kidderminster College which is part of Newcastle College Group (NCG)

<sup>16</sup> SFA sub-contractor list – see data annex : Sub-contractors

## Quality of provision and financial sustainability of colleges

The following table<sup>17</sup> provides a summary of the size and quality in each of the colleges:

College	Most recent overall Ofsted grade <sup>18</sup>	EFA allocations (2015 to 16) <sup>19</sup>	SFA allocations (2015 to 16) <sup>20</sup>	Total college income <sup>21</sup>
Hereford College Arts	Good (October 2013)	£2.15m	£0.14m	£5,288,000
Herefordshire and Ludlow College	Good (February 2016)	£7.86m	£3.85m	£15,475,000
Hereford Sixth Form College	Outstanding (April 2008)	£8.73m	£0.03m	£9,202,000
North Shropshire College	Inadequate (January 2016)	£5.07m	£2.06m	£10,041,000
Shrewsbury College of Arts and Technology	Good (June 2014)	£7.3m	£4.37m	£15,314,000
Shrewsbury Sixth Form College	Good (October 2013)	£6.88m	-	£6,955,000
New College Telford	Requires Improvement (February 2015)	£5.10m	£0.34m	£8,073,000
Telford College of Arts and Technology	Inadequate (May 2016)	£7.44m	£13.72m	£27,892,000
Heart of Worcestershire College	Requires Improvement (March 2016)	£16.1m	£11.63m	£38,332,000

17 Adult Skills allocations to sixth-form colleges are primarily to funds students aged 19 and older. Kidderminster College, whilst a full member of the steering group is part of NCG and figures are not calculated separately so do not show in the above table.

18 Ofsted – see data annex: College Inspections

19 EFA allocations – see data annex: 16-19 funding

20 SFA allocations – see data annex: Adult funding

21 College accounts academic year 2014 to 2015 – see data annex: College accounts

South Worcestershire College	Good (November 2013)	£2.7m	£1.69m	£6,315,000
Worcester Sixth Form College	Good (February 2016)	£7.12m	£0.11m	£7,442,000

Where a college was subject to a financial notice of concern or a financial notice to improve, this factor was taken into account in the assessment of options for structural change in the review. North Shropshire College and Telford College of Arts and Technology are both subject to financial notices of concern issued by the Skills Funding Agency.

Generally, colleges in the review area are in good condition and have reasonable space and running cost efficiency. Some colleges have higher average space per student than others, but this does not necessarily indicate being over-spaced. Each college has unique circumstances and constraints regarding estates. The area review has highlighted some instances where rationalisation or further investment might be considered further during implementation.

## Higher education in further education<sup>22</sup>

Progression of young people to higher education across the Marches and Worcestershire is variable, and there are a number of cold spots notably in Telford and Wrekin, Redditch, Worcester and Wyre Forest. Telford and Wrekin in particular, has very low rates of participation to higher education (less than 28%), whereas in Herefordshire, Shropshire and rural Worcestershire progression to higher education in many areas is over 35%. HEFCE data indicates that students are highly mobile, London and Brighton are popular destinations for higher education.

The universities of Worcester and Harper Adams offer the majority of higher education provision in the area<sup>23</sup>. The FE colleges all have a portfolio of higher education, with Heart of Worcestershire College recruiting the largest number of higher education students. The main specialist areas for higher education in general FE colleges are creative arts and design (significant provision at Hereford College of Arts), engineering and business.

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<sup>22</sup> HEFCE POLAR 3– see data annex: Higher education progression

<sup>23</sup> HEFCE POLAR 3– see data annex: Higher education providers

## Provision for students with special educational needs and disability (SEND) and high needs<sup>24</sup>

In 2015 to 2016, the EFA funded 925 post-16 places across the 4 authorities in colleges, maintained special schools, special academies, non-maintained special schools, and specialist post-16 institutions. The general FE colleges and sixth-form colleges are funded for a total of 333 funded places between them.

Local authorities expressed the need to develop opportunities for students with special educational needs and disabilities (SEND) and post-16 including high needs provision offered by colleges. The steering group acknowledged that structural changes taking place as a result of the review should not disadvantage post-16 students with SEN or high needs.

## Apprenticeships and apprenticeship providers

Independent training providers, including larger national companies, deliver apprenticeships across the area. There are 3 main providers other than the colleges delivering apprenticeships.

- Royal Air Force (which has bases at RAF Shawbury and RAF Cosford) with around 2,500 apprentices
- Babcock Training Limited, with about 1,000 apprentices
- LearnDirect, with just over 500.

Shropshire County Council's provision (County Training), a substantial provider with almost 800 apprentices, merged into Herefordshire and Ludlow College early in 2016.

Warwickshire and Manchester Colleges, and NCG (excluding provision delivered by Kidderminster College) all offer small volumes of apprenticeship provision in the review area.

In 2014 to 2015 over 9,500 apprenticeships in the review area were delivered by colleges, including the sixth-form colleges.<sup>25</sup> Relatively high volumes (in excess of 4,500 funded apprenticeships in total) were delivered by Heart of Worcestershire College, Telford College of Arts and Technology and Shrewsbury College of Technology.

Popular apprenticeships delivered in the review area include: business management, administration, manufacturing technologies, health and social care, horticulture and forestry

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<sup>24</sup> EFA Allocations – see data annex: 16-19 funding: High needs

<sup>25</sup> Numbers of apprenticeships by provider and LA – see data annex: Apprenticeships

and crafts, creative arts and design. This pattern may change in 2017, with the introduction of the apprenticeship levy<sup>26</sup>.

## Land based provision

Landex, the sector organisation that represents a significant number of colleges which deliver land based provision, has prepared a report for steering groups on the mix and balance of land based provision across the country, the key deliverers of this and the importance of that provision to the sector and the economic development of the country.

The strategic importance of the industry environmentally to food and water security in the future is set out. The land based and agri-tech industries have an ageing workforce and an increasing need for workers who can apply scientific and technological skills in a land based environment. And, while agriculture and land based engineering have relatively small provider bases compared to their significance to the industries they serve, there may be risk with loss of provision in either area.

Nationally, apprenticeships in the land based sector have been slow to grow and there is a low rate of progression to level 4 and above among students who go into employment in the sector after completing a level 2 or level 3 programme.

North Shropshire College, Herefordshire and Ludlow College and Warwickshire College Group have land based college campuses at Walford, Holme Lacy and Pershore respectively and the largest areas of the land based offer are agriculture, animal care and veterinary science with significant numbers in both for classroom-based technical education courses. While the colleges offer apprenticeships also, the numbers here are lower, following the national pattern.

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<sup>26</sup> Apprenticeship levy and how it will work' on gov.uk

## The need for change

Area reviews are intended to ensure that the further education sector has a strong and sustainable future – in terms of efficiency of operation, quality of provision, and the responsiveness of courses to the needs of individuals and employers.

At the start of the review the local authorities and LEPs set out their priorities that provision in the area should:

- be of consistent good quality, and be financially sustainable and resilient, particularly at North Shropshire College and Telford College of Arts and Technology
- deliver more efficient operations, for example through increasing class sizes as set out in the area review guidance. However, this needs to be balanced against providing for students living in rural communities
- continue to improve local opportunities for students with special educational needs and disabilities (SEND) and post-16 including high needs provision offered by colleges. Future patterns of provision should take account of travel-to-study, to enable young people in particular to have a choice of both career path and type of institution attended
- expand apprenticeships, and develop more opportunities to progress to higher education taking into account the impact of the levy on the pattern of provision
- collaborate, where possible, to reduce costs and maintain provision (for example, the Herefordshire colleges, and colleges in Telford and Shrewsbury)
- improve the number of young people achieving 5 GCSEs including maths and English
- establish LEP led county forums to drive forward the skills agenda with partners.

## The key areas for change

Taking the preceding points into account, the key issues in relation to this review, and deliberated during steering group meetings, are:

- the weak performance, both in finance and quality, of North Shropshire College and Telford College of Arts and Technology, and the urgent need for action to address these issues of finance and quality
- the importance of expanding apprenticeships, and of developing more opportunities to progress to higher education
- efficiency of operations, for example, through increasing class sizes as set out in the area review guidance. However, this needs to be balanced against providing for students living in rural communities; some colleges are sited close to others, and might benefit from collaboration to reduce costs and maintain provision (the Herefordshire colleges, and colleges in Telford and Shrewsbury)
- the most effective collaborative arrangements that could be achieved in the review area, including viable options for structural change

- opportunities for academisation of sixth-form colleges and the benefits that would accrue.

## Initial options raised during visits to colleges

During their visits, advisers reported that all colleges had given considerable thought to potential strategic options in advance of the review. In some cases, this meant informal discussions with neighbouring colleges and stakeholders to canvas views and to assess the potential level of support for change.

The types of options discussed were:

- formal structural change (mergers, federations, and joint venture companies) which, if well planned and carefully managed, were considered to have the potential to improve financial viability, address quality issues, and retain a good choice of subjects and options for students. Kidderminster College had already taken action through becoming part of NCG, and was able to report a material cost-saving in management and back office support. South Worcestershire College and North Shropshire College had identified their preferred partners for formal merger and undertaken detailed feasibility work
- there was also discussion about opportunities for growth in student numbers and in income through collaboration for example, through working together to develop and market provision to young people, to develop a bigger apprenticeship offer, to expand commercial income, to use combined expertise to submit external bids for additional funds
- sharing services including the potential for collaboration to reduce costs. This might mean traditional shared services where routine back office transaction processes such as finance and management information services are undertaken centrally on behalf of a number of colleges. This concept also extends to joint procurement; sharing of staff, joint marketing or streamlining arrangements for information, advice and guidance
- discussions between colleges about the case for specialisation. Specialisation is particularly important to consider where capital costs are high (for example in engineering and hospitality), where there is too much similar provision, or where competing colleges are located in close proximity to each other. Concentration in one college can help build depth and scale, particularly where employers are seeking specialist training provision at higher levels
- the case for remaining stand-alone, where student numbers had increased despite a declining cohort of young people, and underlying finances were sufficiently strong to withstand policy and funding changes
- conversion to an academy. This option is available primarily but not exclusively, to sixth-form colleges. By becoming an academy, a college is able to develop partnerships more easily with other schools in the area. In order to be approved, academisation proposals must be able to demonstrate how they will lead to strong

links with schools, whether through joining or establishing a multi-academy trust (with other academies) or as a single academy trust collaborating with other schools in the area. Like other academies, sixth-form colleges which become academies would be eligible to receive reimbursement of their non-business VAT and would be classified as public sector bodies.

Colleges worked in 3 local authority based groups to share and develop opportunities, to generate a more specific list of options for change, and to start the debate on the potential benefits of each option.

# Criteria for evaluating options and use of sector benchmarks

## Assessment criteria

In each area review, 4 nationally-agreed criteria are used for the process of assessment. These are:

- meets the needs of current and future students and employers
- is feasible and generates financial sustainability
- raises quality and relevance of provision, including better outcomes
- achieves appropriate specialisation.

## FE sector benchmarks

To support rigorous assessment of proposals, particularly options leading to major structural change, DfE have developed a series of sector 'quality and financial indicators and related criteria'.

Financial benchmarks relate to delivering operating surpluses of 3% to 5%, ensuring borrowings stay below 40% of annual income (the maximum threshold set for affordability), staff costs of no more than 65% of total income (FE sector average) and a current ratio greater than 1. Financial plans were assessed for each option, including colleges seeking to stand-alone, prior to consideration by the local steering group.

A number of other indicators are also taken into account by the steering group. These relate to the impact of proposed changes on quality of provision, on teaching efficiency, and how they actively support growth in apprenticeships and work at levels 4 and 5. Within proposals, overall levels of provision for high needs students should be maintained. New strategic plans need to be supported by LEPs and local authorities. Colleges may also need to review their senior staffing and their governance to ensure that they have the required skills, and the capacity to implement rapid change.

The assessment of options indicated that, based on the information available to the area review steering group, the colleges would move towards the benchmarks and indicators through successful implementation of options, and that the protected characteristics groups, including high needs students, would retain at least equal access to learning.

More detail about these benchmarks is contained in area review guidance Annex F<sup>27</sup> (revised March 2016).

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<sup>27</sup> Reviewing post-16 education and training institutions: updated guidance on area reviews Annex F, Pages 49-53

## Recommendations agreed by the steering group

Eight recommendations were agreed by the steering group members at their meeting in April 2016. These were:

- the 3 colleges (Hereford College of Arts, Herefordshire and Ludlow College, Hereford Sixth Form College) will remain stand-alone, building on current collaboration and exploring opportunities to strengthen the base of each college to provide good quality post-16 education in the county and south of Shropshire
- Hereford Sixth Form College will remain stand-alone and develop its proposal for academy conversion whilst continuing to provide its core, good quality offer
- South Worcestershire College proceeds with merger with Warwickshire College Group to provide sustainable provision in the south of the county of a quality that meets student and employer needs
- Worcester Sixth Form College will remain stand-alone and develop its proposal for academy conversion whilst continuing to provide its core, good quality offer
- Heart of Worcestershire College develops its proposal to establish an Apprenticeship Training Agency, whilst remaining a stand-alone institution that provides a sustainable and quality offer locally
- North Shropshire College proceeds with an immediate federation leading to a planned merger with Reaseheath College, providing sustainable land based provision in Shropshire and a continuing broad offer in the existing catchment of North Shropshire College, including from Oswestry, whilst improving quality of provision
- Telford College of Arts and Technology and New College, Telford merge under a 'fresh start' approach to provide excellent technical and academic education in Telford. This will include a refreshed senior leadership team and additional governors including from business with turnaround experience and from the University of Wolverhampton with whom the college should develop an apprenticeship hub. Consideration should be given at a later stage to a partnership between the new college and City of Wolverhampton College
- Shrewsbury College of Arts and Technology and Shrewsbury Sixth Form College proceed with a two-way merger, to create a strengthened institution for Shrewsbury that provides good quality education for adults and young people within the existing catchment area and designated as a sixth-form college.

Each of these options is now outlined in more detail:

## **Hereford College of Arts, Hereford Sixth Form College and Herefordshire and Ludlow College**

The 3 colleges will remain stand-alone, building on current collaboration and exploring opportunities to strengthen the base of each college to provide good quality post-16 education in the county and south of Shropshire.

- in terms of meeting current and future needs the colleges continue to offer programmes across a broad range of subjects, each college providing a distinct offer on adjacent sites in Hereford with other provision outside of the city. As 3 separate but distinctively different colleges, they do not compete. Each has external collaborative arrangements in place according to needs (for example, separately with schools, employers, local authorities and HE partners). The colleges signed a formal consortium agreement in 2005, updated in December 2015. The agreement allows the colleges to undertake joint purchasing and has helped secure curriculum collaboration (for example, in the use of facilities at Herefordshire and Ludlow College for specialist blacksmithing courses through to degree level). They are also engaged with New Model Technology and Engineering (NMiTE), the proposed new engineering university for Hereford
- with regard to financial sustainability, further collaboration will ensure the colleges build additional financial resilience to deliver the financial benchmarks from current sound financial bases which enables each college to stand-alone; the colleges will systematically re-examine the case for further efficiencies in back office support and other forms of practical collaboration through creating a Consortium Board, with membership comprising the chairs of governors, college principals and one other nominated governor
- in respect of quality of provision, the 3 colleges deliver provision that is good and outstanding
- the colleges' specialisms of land based provision at the Holme Lacy campus of Herefordshire and Ludlow College, art and design courses at Hereford College of Arts and a primarily academic offer provided by Hereford Sixth Form College and Herefordshire and Ludlow College (in Ludlow) continue to be delivered.

## **Hereford Sixth Form College**

The college will remain stand-alone and develop its proposal for academy conversion whilst continuing to provide its core, good quality offer.

- in terms of meeting current and future needs the college offers an academic curriculum and recognises the benefit of working with local schools
- with regard to financial sustainability, the college is exploring partnerships with 3 local schools and there are also opportunities to consider shared services through combining back office and estates management with one of the schools which is located on land adjacent to the college

- in respect of quality of provision, the college is rated as outstanding by Ofsted.
- the college's specialism of an academic offer is maintained
- the college will strengthen collaboration with the other 2 colleges in Hereford.

## South Worcestershire College

The college proceeds with merger with Warwickshire College Group to provide sustainable provision in the south of the county of a quality that meets student and employer needs.

- in terms of meeting current and future needs in 2013, South Worcestershire College governors recognised the opportunities presented by being part of a larger organisation and undertook a structure and prospects appraisal. Governors selected Warwickshire College Group as their preferred merger partner and have undertaken detailed feasibility work. The proposal has been approved by both corporations and has been the subject of formal consultation. The merger with Warwickshire College maintains the learning offer in Worcestershire and the merged college will work closely with the Worcestershire LEP to agree future delivery priorities and opportunities for investment, where possible. Practical plans for merger are well-advanced, with a target date of summer 2016
- with regard to financial sustainability, the merged institution will seek efficiencies and savings
- in respect of quality of provision, the latest Ofsted assessment rated provision at the college as good
- the college's specialisms of primarily technical education are maintained including at the Energy Centre, which benefits from local employer support.

## Worcester Sixth Form College

The college will remain stand-alone and develop its proposal for academy conversion whilst continuing to provide its core, good quality offer.

- in terms of meeting current and future needs the college is exploring the option of converting to academy status as a single academy trust but with the possibility of developing or joining a local multi-academy trust as a later date. Discussions have taken place already with local secondary schools and with the Worcestershire Association of Secondary Heads. The Board of Governors will explore the cost implications and should the college decide to proceed with an application the Board will consider making an application to the Restructuring Facility for support
- with regard to financial sustainability the college demonstrates a sound financial position that achieves the published financial benchmarks
- in respect of quality of provision, the most recent Ofsted rating is good
- the college's specialism of an academic offer will be maintained.

## Heart of Worcestershire College

The college will develop its proposal to establish an Apprenticeship Training Agency, whilst remaining a stand-alone institution that provides a sustainable and quality offer locally.

- in terms of meeting current and future needs the college, with support from Worcestershire LEP, is planning to develop an Apprenticeship Training Agency (ATA) model. The model is intended to appeal to local employers who are new to apprenticeships, to specialist and micro businesses who do not have sufficient breadth of work to cover an apprentice's whole programme or to employers of any size which do not wish to be involved in scheme administration. Subject to further appropriate analysis and business planning and formal approval within the relevant governance structure, it is approved to launch the ATA from August 2016
- with regard to financial sustainability, the college will continue to strengthen further its financial position to achieve financial benchmarks
- in respect of quality of provision, the college will continue to develop the quality of its offer beyond the current Ofsted rating of requires improvement.

## North Shropshire College

The college will proceed with an immediate federation leading to a planned merger with Reaseheath College, providing sustainable land based provision in Shropshire and a continuing broad offer in the existing catchment of North Shropshire College, including from Oswestry, whilst improving quality of provision.

- in terms of meeting current and future needs Reaseheath is a land based college, with a significant general further education offer, for example in business and management, sport, construction and motor vehicle and for students with high needs. It is based approximately 30 miles to the north-east of the North Shropshire College Oswestry campus. The college has a substantial apprenticeship contract, and a growing portfolio of higher education work (c £5 million). It was selected as the preferred merger partner as a result of a competitive process and in response to FE Commissioner intervention in 2015. General further education provision offered by North Shropshire College to young people and adults in Oswestry will continue in its present location.
- with regard to financial sustainability, the merger will ultimately improve from the financial position of North Shropshire College. The college may consider an application to the Restructuring Facility if all other avenues for funding have been fully exhausted
- in respect of quality of provision, extensive collaboration and support for quality improvement will precede formal merger
- the college is rated by Ofsted as inadequate; the merged institution will enable quality improvement to be addressed effectively; in its most recent Ofsted inspection report (November 2015) for Reaseheath College was graded as good

- this merger builds on the land based specialisms of both colleges and draws on the all-round strengths of Reaseheath College.

## **Telford College of Arts and Technology and New College Telford**

The colleges will merge under a 'fresh start' approach to provide excellent technical and academic education in Telford.

- in terms of meeting current and future needs by developing a curriculum offer which includes A levels, classroom-based technical education studies and apprenticeships, the community will have a stronger more comprehensive post-16 curriculum offer which eliminates competition. The merger will create a single new FE institution, on 2 sites, serving Telford and Wrekin local authority area and the M54 corridor into the West Midlands. It will work closely with HE partners, in particular with the University of Wolverhampton, to encourage more progression in sectors where a higher level of skills is expected. The colleges will work together within a transition merger group, supported by turnaround resource and increased project management capacity with a target a merger date early in 2017
- with regard to financial sustainability, the merger has the potential to deliver efficiency savings through a complete review of the operations of both colleges, which are sited a mile apart. Savings are expected to be generated from a review of all functions and a review of estates' efficiencies, and the development of shared services. Combining student support functions and coordinating student travel is expected to produce improved services for a reduced cost
- in respect of quality of provision, both colleges are keen to improve quality of provision, and this will be an important and immediate focus for the new management team.

## **Shrewsbury College of Arts and Technology and Shrewsbury Sixth Form College**

The colleges proceed with a two-way merger, to create a strengthened institution for Shrewsbury that provides good quality education for adults and young people within the existing catchment area and designated as a sixth-form college.

- in terms of meeting current and future needs the merger will create a single institution in Shrewsbury; the merged college will seek to designate as a sixth form college, but will continue to offer a mix of 16 to 18 and adult provision to meet local needs. It is expected that separate brands and identities will be maintained
- with regard to financial sustainability, the new institution will seek financial efficiencies through the merger, together with an opportunity to review quality and adopt best practice, and a single information, advice and guidance for students about

- academic routes, technical education pathways and apprenticeships. The colleges recognise the potential economies of scale through rationalisation of estates, development of a single management structure, and combined back office services
- in respect of quality of provision, the merged institution builds on the current Ofsted rating of good for both colleges
  - the college's specialisms across an academic and technical offer will continue to be delivered. University Centre Shrewsbury, a joint venture by Shropshire Council and the University of Chester, provides local progression which will complement what the colleges plan to offer at levels 4 and 5.

## Conclusions from this review

The purpose of area reviews is to put colleges on a stronger financial footing whilst also enabling them to better meet the economic and educational needs of students and employers for the long term.

Throughout the review, colleges have worked closely with their LEP, local authorities and the review team, sharing detailed information about their performance and processes. Each local steering group member has been in a position to offer ideas for change, and make comments and assessments about others' proposals and plans for their area. The review team is grateful for the positive approach taken by all the local stakeholders involved in the review.

The issues arising from the area review in 'The need for change' will be addressed through:

- the weak financial positions at North Shropshire College and Telford College of Arts and Technology will be addressed through mergers which will bring about sustainable provision in the review area and provide the critical vehicle to lever improvement in quality. Initial indications suggest that the 2 merged colleges will be in a stronger position to move towards the published financial indicators
- the LEP and employers set out the importance of expanding apprenticeships across the review area. This expansion will be a focus for the new Apprenticeship Training Agency at Heart of Worcestershire College, including development of an apprenticeship offer with the higher than national average proportion of micro and small businesses in the area
- more opportunities will be developed to help people within the review area to progress to higher education by strengthening the colleges that have a higher education offer, and by enabling additional development where that is a priority, such as at Hereford College of Arts, the proposed new engineering higher education provision in Herefordshire, stronger links with the University of Wolverhampton in Telford, and the higher education provision in Shrewsbury
- the colleges that are sited close to each other will take a variety of steps to secure operational efficiencies and ensure effective curriculum collaboration for example through the establishment of a consortium board of Herefordshire colleges; and through the mergers of the 2 colleges in Telford and the 2 colleges in Shrewsbury. These bring opportunity to contribute further to the effectiveness and focus of the offer to employers and young people, and to the sustainability of the colleges involved
- the recommendations for the conversion to academy of Hereford Sixth Form College and Worcester Sixth Form College provide extensive opportunity for contributing to the drive on improvements in the review area in the number of young people achieving 5 GCSEs including maths and English through the colleges' strengthened partnership working with local schools

- the implementation of recommendations above and collaboration arising from the area review in Marches and Worcestershire provide the context for the LEP to develop appropriate relationships and forums to drive forward the skills agenda with partners.

## Next steps

The agreed recommendations will now be taken forward through recognised structural change processes, including due diligence and consultation.

Proposals for merger, sixth-form college conversion to academies, or ministerial approval, for example of a change in name, will now need intensive work by all parties involved to realise the benefits identified. Colleges will want to give consideration to making timely applications for support from the [Restructuring Facility](#), where they can demonstrate that the changes cannot be funded through other sources. Colleges exploring academy conversion will be subject to the application process and agreement by the Sixth Form College Commissioner and the Regional Schools Commissioner.

Primary responsibility for implementation of recommendations relating to individual colleges rests with those institutions. However, it will be important to understand how progress is going in the round in each area and each set of area review recommendations will be formally monitored at both national and local levels. As the [guidance](#) produced for LEPs and local authorities sets out all those involved in the local steering group will be expected to play their full part in ensuring that changes happen within the timescale agreed. In this context, LEPs and local authorities are expected to retain their focus on driving changes, and assessing how implementation of recommendations is contributing to local economic performance. The EFA and SFA, with oversight from the FE Commissioner and Sixth Form College Commissioner, will also be monitoring progress across all areas.

A national evaluation of the area review process will be undertaken to assess the benefits brought about through implementation of options. It will include quantitative measures relating to the economy, to educational performance, to progression, to other measures of quality, and to financial sustainability. This analysis will also take account of the views of colleges, local authorities, LEPs, students and employers about how well colleges are responding to the challenges of helping address local skills gaps and shortages, and the education and training needs of individuals.



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